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# The AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*

VOLUME I, NUMBER 3

WASHINGTON, D. C.

SEPTEMBER 23, 1931

## ASSEMBLY OF LEAGUE MEETING IN GENEVA

**Annual Session Is Great Forum for Consideration of Cooperative Ideas and Programs**

**MUCH IS DONE BY COMMITTEES**

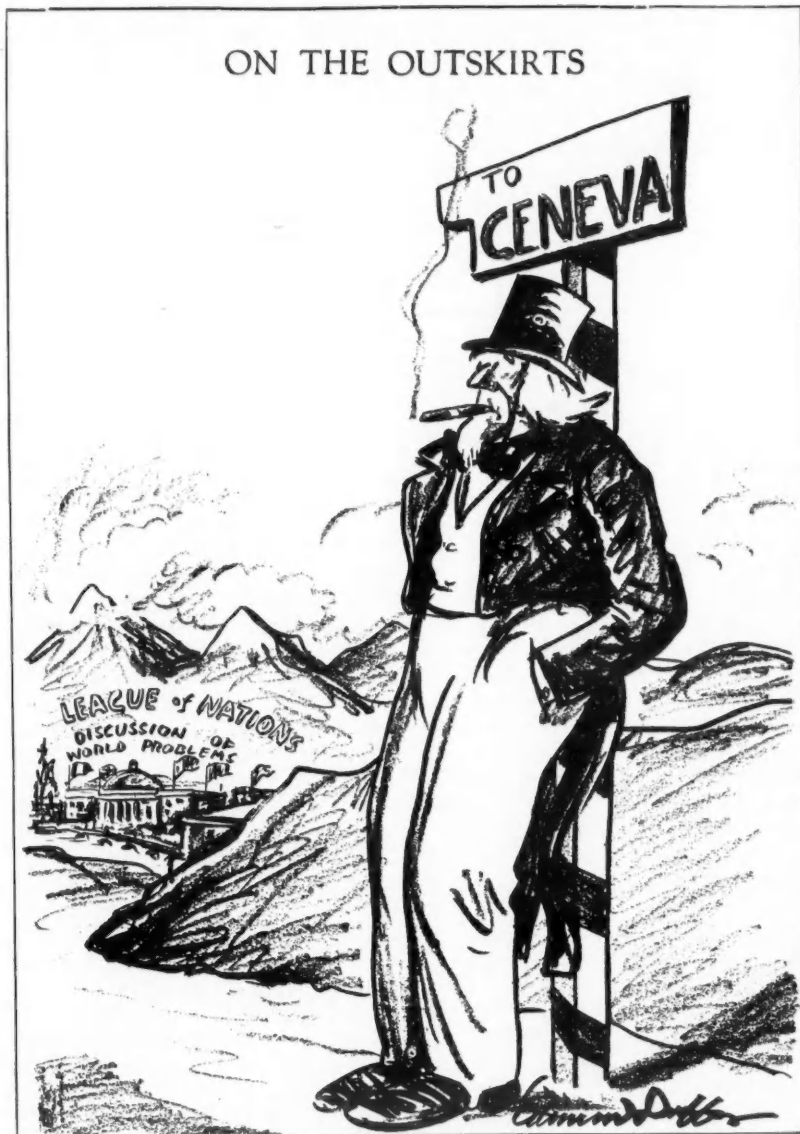
**Mexico Has Been Admitted to League and Disarmament Has Been Discussed**

It is an organization which comes reasonably close to fulfilling Tennyson's prediction of "the parliament of man" which is now meeting at Geneva. A total of 55 states, now that Mexico has joined, composes the membership of the League of Nations, and of these, almost all are represented at this twelfth annual meeting of the Assembly. In the case of most of the European powers each national delegation is, as usual, headed either by the prime minister or foreign minister of the government in power. And the method of organization as well as the degree of authority possessed by this unprecedented international chamber entitle it to be called more than a mere debating society, more than a periodic conference. Making due allowance for the necessary differences between national and international political organization, it is fair to say that the Assembly at least approximates a parliament with legislative powers.

### The Assembly Hall

Except that the seating arrangements are based on national rather than party divisions, the appearance of the assembly hall at Geneva is not unlike that of our own House of Representatives or Senate. In front is the presidential tribune, occupied by the presiding officer and by the secretary-general and his chief assistants in the departmentalized civil service of the League with the interpreters and official stenographers below. The body of the hall is filled by the desks of the various national delegations, divided by aisles and arranged alphabetically according to the French names of the countries represented. It is amusing to think that the United States, if present, would under this nomenclature be saved from a back seat. As "Etats-Unis" the most important non-member would be well to the fore, between Esthonie and Ethiopie, as Abyssinia is named in French.

The organization of the Assembly, as the result of twelve years' experience, is now handled with great smoothness and dispatch. At the outset the chair is taken by the president of the League's Council, which meets regularly every January, May and September, and which is always in session at Geneva when the annual Assembly is convened. He declares the Assembly open and directs procedure until after the election of its president, an impor-



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tant officer on whose ability depends the smooth running of the sessions and to some extent the tenor of general discussion. In consequence, a good deal of quiet electioneering is done in advance by the higher officers of the Secretariat, and the choice of president is generally a foregone conclusion before the heads of the national delegations deposit their ballots in the box on the tribune. The Assembly president this year is M. Nicolas Titulesco, the popular Rumanian minister at London, who also held the office last year—the first instance in which an Assembly president has been reelected.

### Elections

There are other elections to be handled during the organization period, such as that of the six vice-presidents. But the most important of these is the selection of the chairmen of the six main committees which do the real work of the Assembly, this last election being handled by each committee separately and not by the Assembly as a body. The vice-presidents, the six committee chairmen, the president of the Assembly and the chairman of the Agenda Committee, together compose the general committee of the Assembly. This is the important "steering committee," entrusted with the general expedi-

tion and coördination of the Assembly program and possessing large discretionary powers. The six main committees, among which are divided all matters placed on the Assembly agenda, are as follows:

- First Committee: Constitutional and Legal Questions
- Second Committee: Technical and Administrative Questions
- Third Committee: Reduction of Armaments
- Fourth Committee: Budget, Financial and Personnel Questions
- Fifth Committee: Social and Humanitarian Questions
- Sixth Committee: Mandates, Minorities and General Political Questions.

Its organization completed, the Assembly proceeds to a general debate on the annual report of the Secretary-General, which discusses all phases of the work of the League since the preceding Assembly, and which has been circulated in advance to the governments of all states members of the League. This "debate" is in reality a highly regularized series of formal speeches in which the leaders of the different national delegations survey the accomplishments of their governments in forwarding League objectives, or present a critique on some aspect of League policy.

It is during this period of general  
(Concluded on page 7, column 1)

## GOVERNMENT FINANCE COMMANDS ATTENTION

**Decision to Be Made Soon Whether to Go on Borrowing or to Adopt Tax Increase**

**FORM OF TAX RAISE IS ISSUE**

**Sales Tax and Higher Rates on Large Incomes Are Two Recent Proposals**

What shall be done about the federal finances? The government lacked \$900,000,000 of paying its expenses during the year which closed June 30, 1931. It is still running behind. Probably the deficit for the present year may reach \$1,500,000,000. Considering the wealth of the nation and the credit of the government, this may not be a dangerous situation, but it is one which must be reckoned with. The present state of things cannot well be ignored. The problem is, in fact, thrusting itself forward as an imminent political issue.

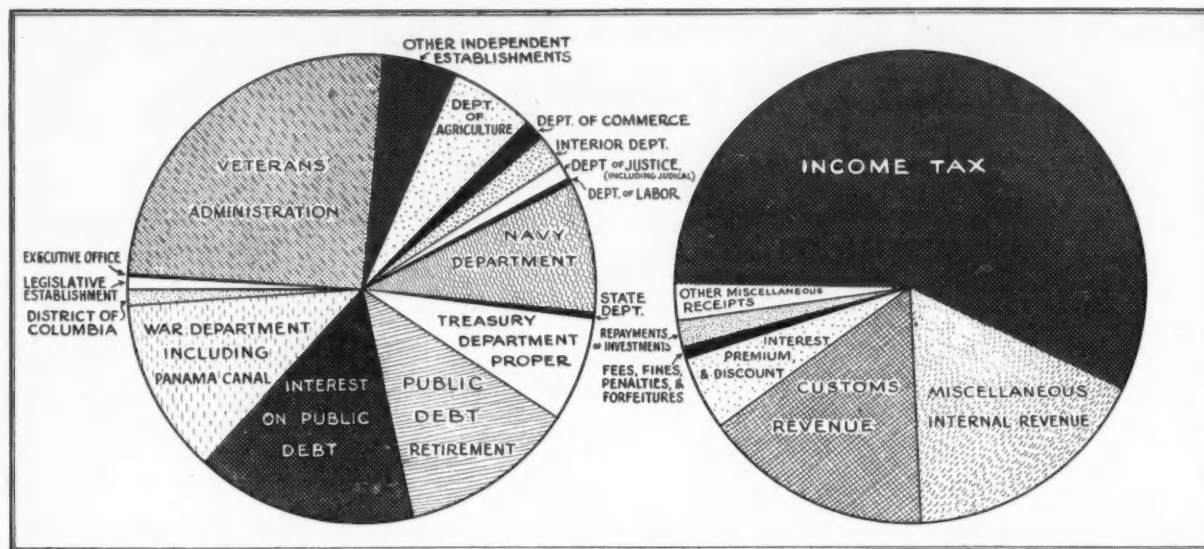
When a government is running behind, it may act as an individual might if he were failing to make ends meet. It may take one of three courses, or it may combine them in some fashion. First, it may cut down its expenses; second, it may add to its income—in the case of a government this is done by increasing taxes; third, it may borrow money, adding to its indebtedness.

### Possible Courses

These courses are now open to the United States government. During the fiscal year 1931 (the year closing June 30, 1931) it received \$3,300,000,000. It spent \$4,200,000,000. Conceivably it might economize. But that road is not an easy one to travel. It is easy to say that the government should economize, but large-scale economies can be effected only by the curtailing of activities in which the government engages. None of these operations can be eliminated without hurting somebody, so while the general idea of economy is popular, specific plans looking in that direction meet stern and sometimes frenzied opposition.

Just how can the government cut its expenses in a large way? The largest item of expense, as can be seen by consulting the chart on page two, consists of the expenditures for the Veterans Bureau. Shall payments to the ex-service men be cut? From influential quarters come demands that the soldier loans be increased. Another large item is that taken for the national defense. Shall naval building be stopped? Shall the army be deprived of its usual appropriations? A program looking in that direction would precipitate a bitter fight over preparedness. No one seriously advocates a repudiation of the national debt or a refusal by the government to pay interest on its bonds. Public building might be curtailed, but that would throw thousands out of





How the Government's Money is Spent and the Sources from Which the Revenue is Derived.

work. Referring to the demands for economy, Representative Bacharach of New Jersey says:

While this suggestion is undoubtedly a sound one and should be carried out as far as possible, it is evident that the essential activities of the Federal Government, coupled with the need for providing employment for its citizens, will not permit of a substantial reduction in expenditures.

#### The Borrowing Policy

The government has recently resorted to borrowing. It has sold bonds this month to the amount of \$1,100,000,000. Is this a wise policy? On this point economists disagree. So do politicians. Three weeks ago THE AMERICAN OBSERVER quoted Professor Viner of the University of Chicago in favor of a borrowing policy. For the convenience of our readers we repeat the quotation:

Tax heavily, spend lightly, redeem debts, are sound treasury principles during a period of dangerously rapid business expansion; tax lightly, spend heavily, borrow, are equally sound treasury principles during a period of acute economic depression. In the light of the conditions of the moment, our so-called sound "principles" of finance really rest in the main on formulae which are traditional, orthodox, and revered, but nevertheless unsuited to the conditions of the moment.

The time for "economy," for restricted expenditures, for increased taxation and liquidation of outstanding indebtedness is when a policy of this sort may act as a brake on an incipient boom. But when business activity is declining or is stagnant and at a low level, increased expenditures, reduced taxation and budget deficits are, from the point of view of the national economy as a whole, sound policy rather than unsound.

It may be argued that a borrowing policy during a time of depression helps business. The argument runs to the effect that money is put into circulation if the government sells bonds to meet its expenses instead of increasing taxes. If the government takes \$1,000 of Mr. A.'s money in taxes, Mr. A. is that much poorer. He does not have the money to spend. He reduces his expenditures. The government does, indeed, spend the money, but the taxpayer does not. If, however, the government sells Mr. A. a \$1,000 bond, it spends the money just the same. But Mr. A. does not necessarily reduce his spending. He owns a government bond. He uses it as security. It gives him credit. He knows he has that much wealth, so he can afford to borrow and spend. Accordingly the sale of bonds may stimulate, rather than hurt, business.

#### Limits to Borrowing

Of course a government cannot go on borrowing indefinitely. At some time it will have to tax heavily enough not only to pay its current expenses

but to pay for expenditures made long since. It will have to pay back Mr. A. and the other bondholders. Taxes then will be heavy, indeed. The theory of Professor Viner is, however, that heavier taxes can be better afforded when times are more prosperous.

Dr. Ernest Minor Patterson of the University of Pennsylvania doubts the wisdom of depending on borrowing at this time. "Borrowing," he says, "could be defended on the theory that the difficulty is temporary; that business may be expected to improve soon, and that there need be no change in existing rates of taxation." But he thinks that the depression will not be over right away and that, consequently, we should not cling to financial programs suitable only for brief emergencies. He says in a recent number of *The New Republic*:

It seems highly probable that the effects of the depression will be felt for some time to come. We seem to have reached the bottom of the depression, and with good luck and under wise guidance conditions from now on should improve. But tax receipts in 1932 will be based on the low incomes and bad business conditions of 1931.

Our political leaders, like the economists, are divided in opinion as to the desirability of a dependence on borrowing. President Hoover has, until fairly recently, held to the opinion that an increase of taxation was not necessary. Now he is said to have an open mind. Senator Watson of Indiana, Republican leader in the Senate, has declared his opposition to additional taxes. It may be assumed that those who are concerned with party politics will wish to avoid a tax increase if possible. Tax

boosts are always unpopular, and on the eve of a presidential election neither party will relish the idea of coming out for an increase of taxes.

#### The Sales Tax

Senator Reed, who is an influential member of the Finance Committee, has proposed an increase. Let us have a sales tax, he says. Let the government impose a tax of one half of one per cent on all retail sales. Then if a man bought a suit of clothes for \$50 he would pay a tax of 25 cents. If he bought an automobile for \$1,000 he would pay a tax of \$5. Senator Reed argues that this tax is relatively easy to collect, that it would not be a grievous burden on anyone, and that it would yield a revenue of \$2,000,000,000 a year—about half the entire yearly expense of the government.

Against such a tax it is argued that it throws an undue burden upon the poor. The wealthy put much of their money into investments. The poor use all that they have to buy goods of one sort or another. They would be taxed one half of one per cent on every bit of their income. The rich would not. It is said, further, that such a tax is a "nuisance tax." It is bothersome to be taxed on everything, and has a bad psychological effect, tending to discourage buying and thus to hurt business. Opponents of the sales tax think it would have such a result even though the rate of taxation is not heavy.

#### Higher Income Taxes

Representative Bacharach calls for a heavier tax on large incomes. Our in-

come tax law is graduated. On the lowest incomes that are taxable (anything above \$3,500 a year for married men and \$1,500 for single) the rate is 1½ per cent of the income each year. Then as the income becomes greater the rate of taxation is increased until the sum of \$100,000 a year is reached. All incomes in excess of \$100,000 pay a yearly tax of 20 per cent.

Mr. Bacharach thinks that the very rich should be taxed even more heavily. He says that "a study of available facts shows that at least some individuals are fully able to pay higher taxes. In fact, there is considerable support for the statement that 'the rich are getting richer and the poor are getting poorer.'" He says that in 1925 taxpayers with incomes of less than \$10,000 a year received 35 per cent of all the taxable income of the nation, and that in 1929 they received but 26 per cent. On the other hand, taxpayers with incomes of more than \$100,000 a year received but 21 per cent of the national income in 1925, while in 1929 they received 33 per cent. Thus it appears to Mr. Bacharach that the very rich are getting an increasing share of the wealth and income of the nation, and he thinks that they should be taxed more heavily.

Against this view it is argued that a heavy tax on the rich discourages business; that it keeps funds from being used in industry. The reply is made that at present this is not a problem. There is plenty of loose money about not being used for business expansion. Much of it is being used for speculation.

These are by no means all the angles to the complicated problem of raising money for the government, but they suggest the main outlines of the present issue. The issue, it should be said, has not yet settled itself along party lines. It is taking shape along other lines. Influential business leaders and their followers are inclined to favor further borrowing or else some such expedient as the sales tax. It is quite natural that they should wish, if possible, to avoid a tax policy which would dig deeply into their pockets. Those who represent the interests of farmers, laborers and other low income groups are inclined to view with more complacency the imposition of higher taxes upon the wealthy, while they look with disfavor upon anything like the sales tax.

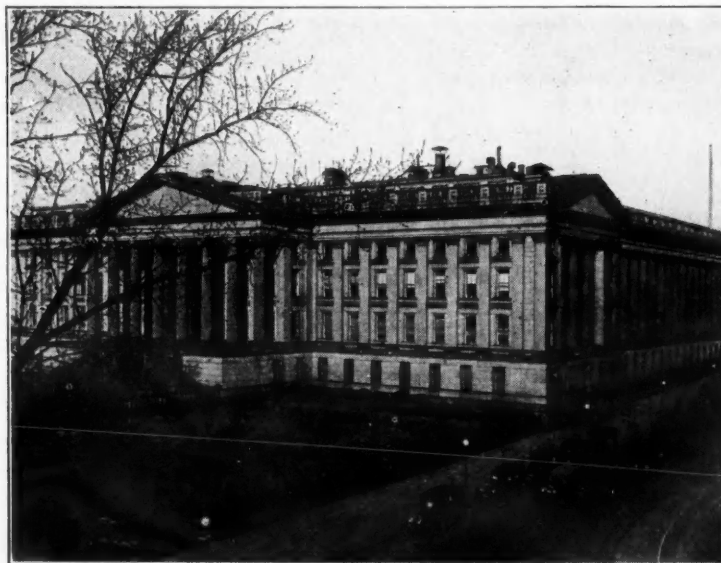
#### A Summary

Professor Patterson sums up the situation very clearly in the *New Republic* article to which we have referred:

Perhaps the air can best be cleared by observing that there are three ways to manage public finances. One is to budget carefully each year, arranging in advance as accurately as possible the proposed revenues and expenditures.

Another method is to set taxes so high that revenues will be adequate to cover expenditures even during years of depression. Under this plan the surpluses in prosperous years could be used for rapid reduction or to build up revenues for use in time of need. An obvious difficulty is to protect reserves against raids in the form of increased appropriations by Congress. The third alternative is to keep taxes low and to meet the deficit of poor years by borrowing, taxes being high enough to make possible a moderate debt reduction in good years.

No clear-cut adoption of any one of these alternatives can be expected, but they indicate general lines of policy. A federal budget carefully balanced in advance and rigidly adhered to will not be a reality in the near future. Without any formal decision we shall probably waver between the other two extremes, not consciously adopting either. The administration and Congress must decide, however, what action to take. Until Congress reconvenes, borrowing will be necessary and fortunately such a method is easy and inexpensive. But by next December the issue must certainly be faced.



THE UNITED STATES TREASURY

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# Method of Treaty Ratification Old; Constitutional Amendment Needed

DeWitt Clinton Poole, Noting Tendency in the United States Toward World Cooperation, Asks for Alteration in Constitutional Procedure to Facilitate Movement

De Witt Clinton Poole, chairman of the Advisory Board of the School of Public and International Affairs at Princeton University, is an experienced and prominent figure in the field of foreign affairs. He entered the Consular Service of the United States in 1910. The War found him as Consul at Moscow in 1917. In 1918-19 he was American Charge d'Affaires in Russia. He was subsequently Chief of the Russian Division in the Department of State, and during the Conference on Limitation of Armaments, 1921-22, he was a member of the technical staff of the United States Delegation. From 1926-30 he served as Counselor of the United States Embassy in Berlin. He is the author of "The Conduct of Foreign Relations Under Modern Democratic Conditions." This is one of a series of interviews and statements prepared exclusively for THE AMERICAN OBSERVER by leaders of opinion.

In these times, when there is interest and opportunity in every aspect of public affairs, no field offers more adventure, or calls for clearer understanding on the part of good citizens, than the field of international relations. They present at this juncture an essentially new problem arising out of a new unity in the world and a trial for the first time of the principles of democracy in the political conduct of the world's affairs. The circumstances call for unhampered thinking. Historical institutions may not be taken for granted but must be weighed against new requirements. It is a time for political as well as economic, pioneering.



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DE WITT CLINTON POOLE

Mere utopianism, on the other hand, must be shunned as barren and dangerous. It is necessary to recognize at the outset difficult realities. There are underlying geographical and biological facts and forces which are to some extent beyond human control, while in the existing institutions of men we see the anachronisms and disharmonies which are the necessary characteristic of an era of progress and adjustment.

In the United States we may note, happily, a fast widening appreciation of what the new situation demands in political and economic coöperation and in new forms of world organization. Original participation by the United States in the League of Nations was frustrated by an unfortunate juncture in the play of our domestic politics and by a not unnatural revulsion of American feeling against the political rivalries of Europe, which the experience of the war, and particularly of the peace-making, disclosed to us. But if we look back, with some detachment, over the progress of the last decade, we must be encouraged by the extent of the practical coöperation which has been established with Geneva, by the increasing insistence among our citizens that the United States should join the World Court, and by the recent bold economic leadership of our president. We are still far from a point at which we might pause with satisfaction, but the tide sets favorably.

It is necessary to be practical. Those citizens who would have the United States quicken its pace toward fuller world coöperation must cease exhorting in general terms. The others are tired of "hearing that stuff." It is an old story these ten years and more. There must be definite objectives, proposals that can be dissected and argued out in quite concrete terms. Foremost among such objectives I would list adherence by the United States to the World Court. That is the next step and the Senate ought to be constrained to favorable action without further delay.

It will not suffice, however, to work for particular objectives in foreign policy as they arise from time to time. If the constitutional procedure for reaching decisions in foreign policy is faulty, and the machinery for carrying out policy is not efficient, there will always be trouble. We must assure ourselves that we are equipped to bear a worthy part in the world's political affairs before we set out too boldly toward leadership.

There is in fact much to be done at home. Our ministry of foreign affairs—the Department of State—is far from being the strong, resourceful institution which the new state of world affairs and America's inevitable part in them require that it should be. One of the officers of the department remarked very pertinently at Williamstown the other day that he heard a great deal about reducing or abolishing armed forces as instruments of national politics but little or nothing about building up the agencies which would replace them. In the matter of appropriations the State Department has been until very recently the Cinderella of the executive family. At the close of the war when the department should have been five-fold strengthened it was instead cut off with only the barest budgetary necessities. It is still far from the ample and efficient agency which we ought to have.

Here is a practical objective for the internationally minded. They should demand the upbuilding of a foreign ministry adequate to do the job for America which we want America to do in the new world.

Then there is a provision in the Constitution that the Senate may advise the ratification of a treaty only by a two-thirds vote. Conditions have greatly changed since the Fathers, somewhat uncertainly, adopted this measure, partly to reassure local sentiment in the several colonies. Twenty-six members then comprised the Senate and it was thought to be a body small enough to act as a council to the president with "perfect secrecy and immediate dispatch." The House with sixty-five members was deemed to be too numerous a body to have a part in the delicate business of foreign relations, though that membership was but two-thirds of the present Senate.

Moreover, the diplomacy which the fathers knew, was highly political, and they

wisely thought that it should not be too easy for the United States to enter into its dangerous engagements. They could hardly foresee this intimate new world of ours and a day when the American government would be concluding treaties at the rate of one every two weeks, as it did in 1930. The world has moved on, while our early experiment in the democratic control of foreign relations has remained fixed in constitutional rigidity.

The times call for an amendment to the constitution which will condition the ratification of treaties upon a majority vote of both houses of Congress. As I recently had occasion to say before the American Academy of Political and Social Science, "this would preserve every necessary control and fix the same compass of executive action and responsibility for foreign as for domestic affairs. Majority action by both houses would assure publicity, deliberation, and conscious national obligation. It would give the executive, in the conduct of foreign relations, assurance where there is now timidity, and long-sightedness where opportunism at present obtrudes."

Here again, in such a constitutional amendment, is a definite objective for the fast increasing body of American citizens who sense the irresistible current of world affairs and wish their government to steer clear-sightedly along it, not drift from snag to snag.

"Are we of all nations peculiarly disposed to peace? Has our influence been on the side of understanding that makes for peace?" Mr. Raymond D. Fosdick, formerly under-secretary general of the League of Nations, writing in the *Atlantic Monthly*, thinks the contrary. He points out that this year the United States is spending \$842,000,000 for the army, navy and air forces, while Great Britain is spending \$560,000,000 and France is spending \$431,000,000. Account must, of course, be taken of the fact that it costs more to maintain an armed establishment in America than in Europe due to the differences both in pay for the men and prices of material.

## THOUGHTS AND SMILES

A great general was once asked what was the secret of military science. He replied, "Proportion, proportion, proportion." I know nothing of military science. But I do most firmly believe that everyone who is concerned to find the causes, or to find the remedies, for the complex and intricate problems of world depression should say to himself as a morning and evening prayer, "Proportion, proportion, proportion."

—Sir Arthur Salter in  
POLITICAL SCIENCE QUARTERLY.

Speaking of unemployment, the average man has 12 billion brain cells. —Life.

It is patriotic to learn what the facts of our national life are and to face them with candor. —Woodrow Wilson.

The depression must be real. It has been over a year now since anyone has brought to our attention the critical situation in the Near East. —Philadelphia INQUIRER.

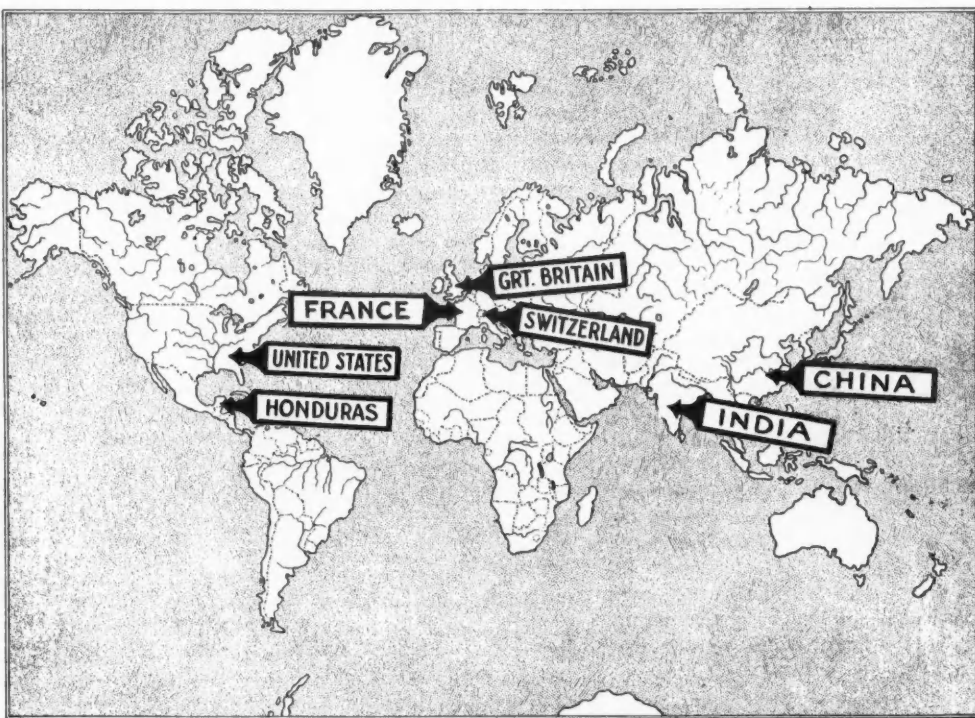
It is beyond our power to humanize the conduct of modern war. —Arthur Henderson.

America is the only great country that has no youth movement. It is terribly vital that nothing matters to the young men and young women of today but wisecracking. The boys and girls going to college have absolutely no serious discussion. In this country to be serious is to be ridiculous.—Edna Ferber.

"I would have liked to have seen Mr. Gandhi, but I hadn't any date with him. They say Mr. Gandhi tried to find me. I don't know where he looked for I was home at 10 last night. —Mayor James J. Walker of New York.

We agree with Secretary Mellon that everyone should pay an income tax. Everyone should have an income worth taxing. —Philadelphia BULLETIN.

Millions of dollars needed to meet government deficits.  
Millions of gallons of bootleg liquor untaxed!  
Millions of unemployed seeking jobs.  
Millions of pounds of growing cotton—the cry "Destroy it!"  
Millions of human beings in fear of starvation.  
Millions of bushels of stored wheat untouched!  
Commodities nuisances!  
Abundant food an encumbrance!  
While a great nation suffers!  
Is this civilization or chaos?  
—New York WORLD-TELEGRAM.



Prepared for THE AMERICAN OBSERVER

### COUNTRIES IN THE NEWS

The United States—considers problem of government finance; Great Britain—economy program provokes strike of sailors; Switzerland—host to the League of Nations; France—Laval and Briand prepare to visit Berlin; India—demands independence; Honduras—hurricane razes Belize, the capital; China revolutionary activities resumed.



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WEDNESDAY, SEPTEMBER 23, 1931

### REVIEW OF THE WEEK

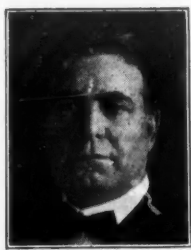
THE possibility of an increase in taxes in this country has brought forth the charge by Senator William E. Borah that too much is being spent on armaments, not only in the United States but in other nations as well. Senator Borah has declared that great economies could be effected, and the tax burdens decreased if the five principal powers would cease further naval construction for a period of five years. In setting forth his plan the senator stated:

It seems to me it ought to be entirely practicable to bring about a naval holiday in naval construction for five years. This holiday should, of course, include Great Britain, the United States, Japan, France and Italy. The naval strength of these nations is ample at the present time, and there is no reason, from the standpoint of safety or security, to continue what is in effect a naval building race.

Senator Borah is not without support in making this suggestion. Other senators have voiced their approval, and Representative Will Wood of Indiana, chairman of the House Appropriations Committee, was particularly emphatic in urging such a program. Representative Wood said:

Our army and navy are running riot, and for no good reason. Their combined pre-war expenditures averaged \$266,000,000, they came to \$618,000,000 during the Coolidge administration, and now they are about \$750,000,000 a year. At that rate there is no limit to what we may be called upon to spend for armaments. To build up to the London Treaty standard would cost us \$1,000,000,000.

However, according to the Navy Department, not one of the five nations is making any attempt to build up to the London Naval Treaty. The department published tables, on the day following the statements of Senator Borah and Representative Wood, which show that the countries are lagging well behind the limits set by the Treaty.



© H. Miller  
SENATOR  
BORAH

The United States is more than 100,000 tons short of the tonnage allowed for 1930-1931. Great Britain is 57,000 tons short; France and Italy are both 30,000 tons short, and Japan is far under the limit.

From the information given out by the Navy Department it appears that no country is anxious to increase its armaments until at least the end of the Disarmament Conference next February. A few days before the Borah declaration, Signor Dino Grandi, Italian foreign minister, urged the principal powers to forego further expenses for armaments until the conclusion of

the conference. An armament truce, believes Signor Grandi, will help materially in bringing about a general atmosphere of good will when the powers meet at Geneva. Reports from Washington indicate that should the Assembly accept Grandi's proposal, the United States will act in sympathy with it, but that it does not contemplate independent action in urging a naval holiday such as Senator Borah suggests.

WORD comes from Germany of an aroused public opinion which threatens Dr. Curtius' position as foreign minister. Sentiment against him has arisen because of the failure of the Austro-German customs union plans. German pride is hurt, and the foreign minister is blamed for having been weak enough to allow the frustration of the nation's plans.

At the same time that the people of Germany are charging Dr. Curtius with weakness, the French are crying out against him because they claim that he was too extreme and too insistent in setting forth German demands at Geneva. In a speech before the League of Nations Assembly, Dr. Curtius demanded that Germany be accorded equality in armament and that a "total solution of the problem of political and international debts" be made.

Probably this Geneva speech was intended largely for home consumption. It was no doubt meant for German ears as a proof that Dr. Curtius was after all looking out for German interests. The incident, together with the reactions in Germany and in France, illustrate how hard it is for a diplomat to adopt a reasonable and compromising program. A foreign minister finds himself trying to satisfy elements frequently in conflict—the people at home and the foreign nations with which he is obliged to deal. If he attempts to pursue a moderate policy, he is likely to be called weak by his own people and provocative by the peoples with whom his government is dealing.

MAHATMA GANDHI is in London. In response to that "inner voice" which acts as the guiding principle of his life, the Indian leader decided to attend the second Round Table Conference in the interests of his countrymen. As the emissary of the Indian Congress he presented to the Conference on September 15, the demands of that body for Indian independence. The Congress would place Great Britain and India on a basis of complete equality, granting to India national control over the army, external affairs and finance. "I have ceased for many years to call myself a British subject," said Gandhi, "I should far rather be called a rebel than a subject, but I have aspired and still aspire, to be a citizen, not in an empire but in a commonwealth."

The Conference promises to be long and drawn out. The British government is not prepared to accept the views of the Indian Congress without many reservations. On the other hand, it seems that the Congress is unalterably opposed to reservations of any sort. The negotiations have been rendered more difficult by the complicated situation in England today. The coalition government has increased the power of the Conservatives, and they



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JULIUS  
CURTIUS

are likely to prove less conciliatory than the Laborites would be were they in complete control of the government. Yet, Gandhi is a force to be reckoned with. By his ability to encourage passive civil disobedience in India, he has a powerful weapon at his disposal, a weapon which finds Britain vulnerable. Commenting on Gandhi's power, the New York World-Telegram states:

That Great Britain, with all her fighting ships and men, can much longer subject India to alien rule does not seem probable. After every clash Mr. Gandhi advances and Britain retreats. It is hard to shoot down rebels who refuse to shoot back. Such civil war ceases to be glorious even to the militarist. The most loyal troops object to being inhuman butchers.

DRASTIC economies and increased taxes will be given effect by Great Britain in order to balance the budget; to restore stability to her shaking financial structure. It was announced last week that unemployment insurance payments will be cut 10%. The worker out of a job who has been drawing \$4.25 a week will now receive but \$3.81. Salaries of all civil employees from cabinet ministers down to members of the army, navy and air forces will be substantially reduced. School teachers will be forced to accept a 15 per cent pay cut. A policeman who has been getting \$23.00 a week will find that sum diminished by \$1.25 when the economies go into effect. By retrenchments such as these the government expects to save \$350,000,000 for the fiscal year.

In keeping with the declaration that equal sacrifices must be borne by all if England is to be saved, an increase in taxes is to be put into effect. The budget program laid down on Sept. 10 by Chancellor of the Exchequer Philip Snowden calls for a basic income tax rate of 25 per cent. As compared with the rate of 1½ per cent in the United States, this is very high. A married man in England must pay a tax on an income of over \$750; a single man \$500. In this country the figures are \$3,500 and \$1,500 respectively.

In addition to the taxes on income, there will be additional levies on beer, tobacco, gasoline and theatre tickets.

Members of the Labor Party declare that the budget is being balanced at the expense of the poor. But while strongly opposed to it, they will not have sufficient votes to prevent the budget from being adopted, as the combined forces of the Conservatives and Liberals will most likely prevail.

MUTINY has always been considered a very serious offense. It is particularly grave when it occurs on ships belonging to a government. In such a case it has the aspects of a rebellion against the ruling authorities. We had an example of this only a few weeks ago when the Chilean fleet revolted and the use of the government air forces was required to bring it into subjection.

It may have been thought by some that the recent disaffection on the part of British seamen was a menace of revolution in Great Britain. The fact that Britain's great Atlantic fleet was forced to idleness for a day or so because the sailors refused to work, protesting against the cuts which had been made in their pay by the new British budget, may have appeared to be the beginning of serious trouble in England. It is probable, however,

that, in striking, the sailors did not think of themselves as sailors but as workmen. They protested in that capacity. Britain was not at war, and had she been, their actions would have been very different. It is characteristic of the British that on the morning on which the strike began, the sailors willingly gave three hearty cheers for their king, and then refused to go to work. Their passive resistance has had some effect. A day later the ships were ordered to proceed to their home ports—they were in the North Sea—where the grievances of the men will be heard and if possible remedied.

IN view of Governor Franklin D. Roosevelt's prominence as a Democratic presidential candidate, it is natural that his statements and policies should be compared with those of President Hoover. To date they have differed widely in their points of view on certain subjects. This was evidenced on September 10 when both the president and the New York governor spoke—the former by radio—at the golden jubilee celebration of the American Red Cross held at Dansville, New York. In lauding the accomplishments of the Red Cross, the president said:

It stands as a monument to individual and local initiative. It proves the ability of a democracy to create from the people themselves the agencies for their service.

Mr. Hoover's emphatic reiteration of his conviction that relief work was properly a function of local and private organizations, and that the federal government should only assist in coördinating their work was in opposition to the following statement contained in Governor Roosevelt's speech:

No modern social order can rest secure without recognition of the duty of the community at all times to care for those of its members who are in want.

But this is not the only case in which Mr. Hoover and Mr. Roosevelt have differed. On the same day, the New York governor took occasion, in another address delivered at Syracuse, to attack the government's flotation of a long-term bond issue in order to meet the needs of the budget. Speaking of the finances of his state, the governor said:

I believe firmly in a pay-as-you-go principle as applied to public business. . . . I think most of us are agreed . . . that we must not borrow against the future to meet it. We must share now out of what we have, not out of what we expect to have some day in the future. We must distribute fairly, among those who are able to pay, the burden of aiding those who cannot exist without help. The funds that we must have for unemployment relief should be raised by the speediest possible method of current taxation that will result in an equitable assessment.



KING GEORGE CUTS BUCKINGHAM EXPENSES  
Kirby in N. Y. World-Telegram



DID you ever stop to analyze the society in which we live and to figure out the ways in which it contrasts with the societies of primitive or medieval times? Just how do we differ from the earlier peoples, anyway? It is easy to point out external differences; contrasts in outward appearances. But what are the inner and essential characteristics of the civilization which we call modern?

That is one of the larger questions to which C. Delisle Burns, English philosopher, gives his attention in his new book, "Modern Civilization on Trial." (New York: Macmillan. \$2.50.) Modern civilization, as Mr. Burns defines it, is not the state of things as they prevail throughout the world of the present day. A large part of the world, tropical Africa, for example, is primitive. China, India and other regions are medieval. Western Europe and America are modern, though islands of medievalism are to be found even there. Modern civilization, too, is something new. It has come about during the last twenty years. By this is meant that the introduction of motor cars, airplanes, radios and moving pictures has brought about a new sort of life and a new kind of society.

The outstanding characteristics of modern civilization, according to Mr. Burns, are these: The energies of men have been set free by the use of machinery. Men live longer, have better health, more leisure and more time for scientific and artistic development. They are brought into closer relation to each other. Their tastes come to be standardized, but they have greater opportunity to cultivate their tastes. They are not bound by authority, but tend to experiment. The very thing which we call civilization—that is, the state of customs, manners and beliefs,—is thought of, not as something finished, but as a period of development, as something in the experimental stage. In speaking of civilization, you see, the author is not concerned about the machines which are so outwardly conspicuous in our time, but about their effects upon the habits and thinking of the people.

The book covers quite a wide range. It considers the relations of modern with primitive and medieval peoples, the Americanization of Europe, the effects of modernization on government and on war. It deals at length with the effects of industrialization upon culture and education.

This is not an easy book to read. It is not recommended to those who are looking for a painless method of absorbing complex ideas. But those who like a brisk bit of intellectual exercise now and then may find this study of modern civilization informative and stimulating.

#### OUR CUBAN RELATIONS

Two weeks ago we spoke of a book on Cuba—"The Martial Spirit." Now another has appeared: "The Cuban Situation and Our Treaty Relations," by Philip G. Wright. (Washington: Brookings Institution.) It is a valuable and timely book because of the light it throws upon the relations of the United States to Cuba and the

economic effects of that relationship.

We have a treaty with Cuba, the Reciprocity Treaty, by which we agree to charge a lower import duty on products from Cuba than on goods from other countries, in exchange for similar concessions by Cuba. Partly as a result of this treaty, says Dr. Wright, Cuba turned some years ago to the raising of sugar. Because she could sell the sugar to Americans without paying a high duty, sugar growing was so profitable that Cuba became a one-crop country. Then in 1921, 1922 and

It is a very thoughtful analysis of the world depression, some of its causes and programs looking toward a way out.

Would you like to sit down with an experienced student of international economics and have him state quite clearly and rather briefly his views as to the necessity of international co-operation, the obstacles in the way of it, the importance of international trade to prosperity, the present financial condition of the world? Would you like, then, for him to discuss the economic

## ON BOOKS AND MAGAZINES



A CREATION AND A CONDITIONER OF MODERN CIVILIZATION © Galloway  
Machinery, vast and intricate, has altered our way of living, creating new problems and presenting new opportunities.

1930 the United States raised the duty on Cuban sugar. The industry has been seriously hurt as a consequence. This has brought depression upon Cuba.

"The question may be raised," says Dr. Wright, "whether in initiating the Reciprocity Treaty it (the United States government) assumed any moral responsibility, after Cubans and Americans had acted on the implied promise and the explicit promise announced in framing the treaty, not to make it a mockery by increasing the duty."

#### "THE WAY TO RECOVERY"

Sir George Paish, a distinguished British economist, has written a book called "The Way to Recovery." (New York: G. P. Putnam's Sons. \$2.00.) It is a small book, with large, readable type, simply and interestingly written. But the simplicity should not lead one to the assumption that it is superficial.

conditions of the leading nations—the United States, Germany, Great Britain, France, Italy, Russia, Japan, China, India? If you would like such a conversation, you will enjoy this little talk with Sir George Paish.

This book has its limitations. Sir George no doubt oversimplifies the problems of the nations. As he sees it, "the way to recovery" is found by breaking down tariff restrictions and establishing freer trade relations. Most economists agree that such action is desirable, but probably not many would place such a large share of the blame for the world depression upon the tariff or any other one factor. Despite any limitation it may have, however, this is a good book, full of information and sound economic reasoning. It is one of the few books on international economic problems that the inexperienced reader can follow with genuine interest.

#### THE SEVEN GREAT BLUNDERS

Hendrik Willem Van Loon, historian, looking back over the years and ages that have passed, sees a number of colossal blunders which he says have brought irreparable disaster upon the perpetrators. He lists seven of these blunders in the September *Forum*. The greatest blunder in American history, he says, was the criminal neglect on the part of those who were responsible for the safety of Abraham Lincoln following the close of the war. He considers the failure adequately to protect his life to have been a slothful blunder which "retarded the normal development of the relations between the South and the North for at least an entire generation."

The worst blunder in modern years, according to Mr. Van Loon, was the "refusal of the Allies to make peace with Germany before Russia had gone over to Bolshevism."

The other five blunders occurred at various periods during the last 3000 years. Students of history should find the list particularly interesting.

#### NO CAUSE FOR FEAR

In an article which he contributes to the September *Scribner's*, Mr. W. J. Austin, president of a company which is doing a \$60,000,000 work of construction for the Russian government, expresses the belief that the fears of coming friction between the United States and Russia are unfounded. He looks for the Russian industrial system to become more like the American. He thinks that America will exert greater influence on Russia than Russia will exert on this country. He makes a number of observations concerning the Russian experiment. Perhaps the most interesting one is his denial of the popular assumption that Russian competition in the markets of the world is likely to be hurtful to American trade. He points out the probability that after the Russians increase their production of goods, the demands of the Russian people will increase, thus enlarging the Russian market. He says:

The fear that an industrialized Russia will dump goods on the markets of the world to the economic destruction of the countries which now supply those markets does not take into account the vastness of Russia's own potential market. . . . Does anybody think that the Russian people will not want to own and use the things they are taught to make? Put the peasant who has never owned a pair of boots at work in a shoe factory and keep him barefooted if you can.

#### POWER OF PRESS WANES

Oswald Garrison Villard, editor of *Nation*, writing for the September *Forum*, deplores the "waning power of the press." He regrets the commercialization of the newspapers which tends to discourage independent expression by editors. The newspapers themselves lose their freedom by catering to advertisers.

It is sometimes said that the newspapers give the public what it wants, but Mr. Villard denies that the responsibility for cheap journalism rests upon the people. He says that they would gladly support better service than they have if the opportunity were given to them.





IT IS our intent to use this department, *Social Science Backgrounds*, for the purpose of presenting from the social sciences material which will help in the interpretation of our current problems. Frequently this material will be taken from history, either American or European. Sometimes it will be taken from the fields of political science or sociology. This week the major part of it will come from the field of economics.

We are reading, these days, about the problem of federal taxation. From day to day and from week to week we find plans of taxation proposed. If you will turn to F. W. Taussig's "Principles of Economics," Volume 2, pages 507-510, you will find an enunciation of principles relating to every one of these proposals. In other words, you will find an economic background for the current discussions. Because of the simple yet masterful way in which Dr. Taussig explains the economic theories involved we are quoting him at some length:

"The first question of principle in taxation has to do, therefore, with the mode of apportionment. In what manner shall we determine how much the individual shall contribute toward defraying the various public services rendered gratuitously? Shall he pay simply in proportion to his income, or more than in proportion? On this question there are two fundamentally different answers, the one more conservative, the other more radical; the one maintaining the principle of proportion, the other that of progression.

"The conservative opinion, maintaining the principle of proportion, is very simple. It proposes to call upon each person to pay in proportion to his income, and so to leave the relations between different incomes undisturbed. Let the rich pay more in the degree to which their incomes are larger, but in that degree only. The essential basis for this view is that the existing distribution of wealth should not be disturbed. True, some people are more prosperous than others; some are rich, others are poor. But these differences are regarded as defensible—nay, in the unqualified support of the existing social order are thought to be in accord with the maxims of ideal justice. Since taxes must be levied, and since it is hopeless to measure either the cost of the public services rendered to any individual, or the benefits to him of the services, let all be treated alike, and let all be called on to contribute the same proportion of income. The social system thus remains undisturbed by the tax levy; it was equitable before, and it remains so.

"A somewhat different view, but one leading to the same result, is that the existing distribution of property and income should not be disturbed by taxation. If it is to be disturbed, let other machinery for doing so be adopted. This view implies neither approval nor disapproval of the gulf between rich and poor, merely indifference or aloofness. The taxgatherer, it is said, should not be distracted by having to consider such large and difficult social questions. His task, even in its simplest form, is troublesome enough: to devise ways of securing the needed revenue without arousing discontent beyond endurance. This may be described as the simply fiscal principle of taxation: according to which taxation should concern itself solely with the problem of raising the money for public expenses. It leads, like the view first described, to proportional levy and to the rejection of progression.

By David S. Muzzey and Walter E. Myer

"Still another 'fiscal' principle of taxation may be noted; one that perhaps should be called the cynical principle.

#### The Cynical Principle

According to this, the essential task for the legislator is to get the revenue in such a way as to cause the minimum of vexation and opposition. Any tax is good which brings in a large net revenue without causing much protest from the payers, or at least from those payers who have political influence. If in a democratic community high progressive taxes on the rich bring in substantial returns, without trouble in administration and without causing many voters to revolt, let them be imposed. And on the other hand, if taxes on an article consumed in great quantities, such as sugar or coffee, promise a large revenue, and can be levied by a hoodwinking process which prevents the masses from realizing the burden, let them too be imposed. 'Pluck the goose with as little squawking as possible.' This cynical view is hardly ever advocated in so many words; but a great deal of legislation rests upon it. Every finance minister has constantly to face demands for additional revenue, and also opposition from those whom he proposes to tax. The temptation is well-nigh irresistible to follow the path of least resistance. The very great part which indirect taxes on commodities play in the finances of all modern countries is explicable chiefly on this ground.

"The courageous advocates of progression base their views precisely on the ground that the existing social order is not perfect, and that taxation should be one of the instruments for amending it. Even though it be an open question whether all inequality in wealth and

#### The Progressive Theory

income be unjust, such great degrees of inequality as the modern world shows are regarded as not consonant with canons of justice. Very rich persons should be called to pay taxes not only in proportion to their incomes, but more than in proportion. This proposal has been called socialistic; and it is, if all measures looking to mitigation of inequality be so called. Those who hold it place progressive taxation in the same class with free education, factory legislation, regulation of monopolies, extension of government management—measures all of which are based on a desire to improve the social order in the direction of less inequality. The extent to which they are willing to go with progression no doubt depends on the degree of their fervor for social reform in general; nor are they themselves able to give a precise answer to the question often asked, how far is progression to go? Their opponents have urged, to use a much-quoted phrase of McCulloch's, that when once you diverge from the rule of proportion, you are at sea without rudder or compass. The same difficulty might be urged against all

sorts of movements for reform. Few except the rigid and extreme socialists have clear notions about their ultimate goal. It suffices for the average man to know in what direction he is moving. Most unsophisticated persons in the advanced countries of modern times, though they have very hazy ideas about taxation and socialism and economics in general, will instinctively declare it 'right' that the rich should contribute to the public burdens, as compared with the poor, not only in proportion to their incomes, but more than in proportion. In so saying, they show that influence of the spirit of the time from which none of us can escape.

LAST week we discussed some of the customs and institutions which manifested themselves shortly after the time of the founding of the colonies. We come now to consider the period in American history during which Great Britain and the colonies were together working out a system of government. It is the period which quite roughly extends from the middle of the seventeenth century to the time when the American revolutionary movement was getting under way.

The reader of American history is struck by the fact that England at first had no consistent colonial policy. She was groping for a system by which the colonies might be governed. The problem of administration for distant dominions was a new one, and it is not unnatural that the early years should have been years of fumbling and groping.

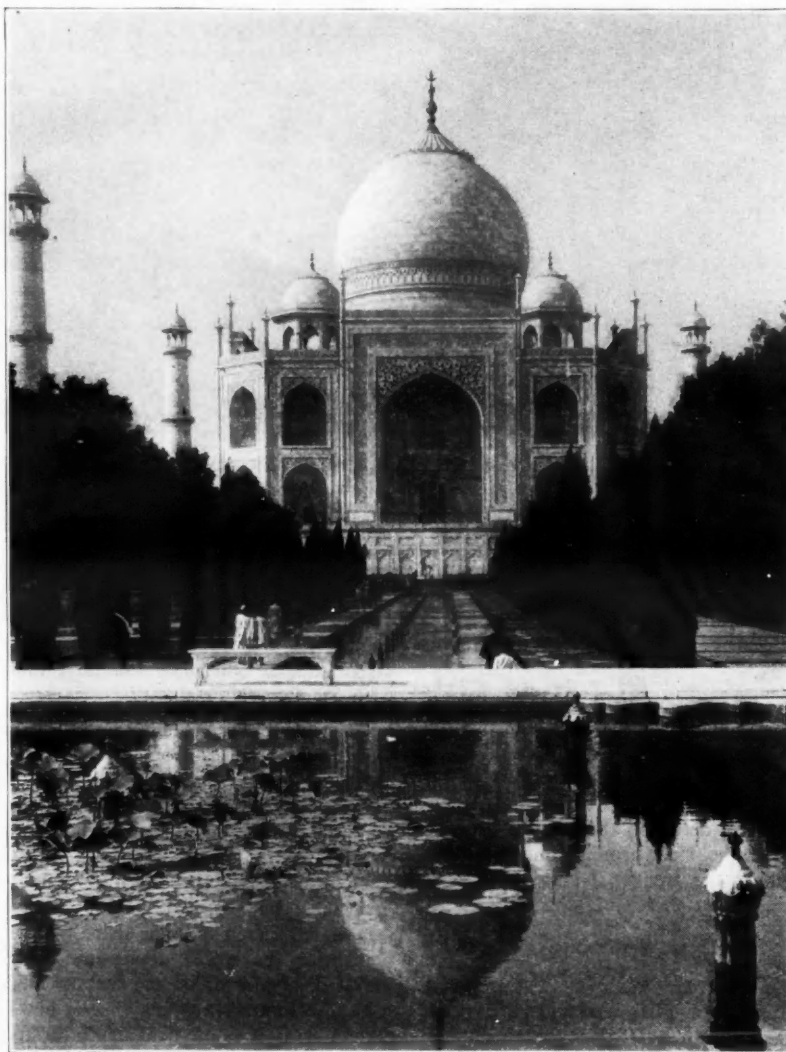
A more definite policy was established during the time of the Long Parliament and was whipped into shape by Cromwell.

It was predicated upon the theory that the colonies should be made to serve the economic needs of the mother country. Hence the Navigation Acts, of which we shall speak at another time. Now this reaching out for a means of governing distant lands and of developing a policy consonant with the interests of the outlying possessions and the mother country as well, was not merely a problem of three centuries ago. It was a continuing problem. It is a problem today. For Great Britain is still wrestling with that issue. The relation of the dominions to the mother country is not definitely established. The British Commonwealth of Nations is a concept in process of development.

And India knocks at the door of nationhood today—a reminder of England's unsolved problem of colonial organization.

The Indian problem had its origin at the time of the settling of the American colonies. Five years after Jamestown, the first permanent English settlement was made on the coast of India, and then began the great adventure of the East India Company. Since then British experimentation in India has been continuous. Last week Gandhi asked for Indian independence and for equality with Great Britain, the two nations to be bound together only by "the silken cord of love." The British, after three centuries of experience, have accorded such a status to Canada, South Africa, Australia, New Zealand and Ireland, but they are not ready to grant it to India.

Next week we will compare the early colonial trade policies of Great Britain with the policies which prevail at the present time.



THE TAJ MAHAL, NEAR AGRA, INDIA

This beautiful memorial, finished three centuries ago (1632), called "the most perfect building in the world," is a reminder of the age of India's civilization, which is thus seen to have been well developed when the American colonies were rude settlements along the Atlantic seacoast.

© Galloway



## ASSEMBLY OF LEAGUE MEETING IN GENEVA

(Concluded from page 1)

discussion, which occupies morning, afternoon, and sometimes evening sessions for the first week of the Assembly, that "keynote speeches," suggesting some notable development of policy, are presented by the outstanding statesmen present. Thus M. Briand chose the 1929 assembly to launch the idea of European Federal Union. The most notable "keynote speech" of the present Assembly has been the proposal of Dino Grandi, Italian foreign minister, for a "suspension of the execution of new armament programs" throughout the world, at least for the duration of the Disarmament Conference which is scheduled to convene at Geneva in February.

It is noteworthy that this suggestion has been immediately followed up by a proposal from Senator Borah for a five-year naval construction holiday between France, Great Britain, Italy, Japan and the United States. Indeed the influence of the Assembly as a great International Forum, where ideas for constructive coöperative action can secure a maximum amount of public attention, is not the least of its assets. The sessions are attended by some six hundred newspaper correspondents from every country possessing a daily press and hundreds of columns of "copy" are cabled and wireless from Geneva to every quarter of the globe every day that the Assembly sits. The proceedings of no national parliament receive anything like the same world-wide newspaper "coverage."

### Committee Work

At the close of the general debate the six main Assembly committees, listed above, enter upon their analytical and critical functions. It is their duty to examine all the draft resolutions which have been prepared as a result of the work of the technical organs of the League during the preceding year, and to make formal recommendations regarding these to the Assembly when it resumes its plenary sessions. Each of the six committees is really an Assembly in miniature, for every member of the League has the right to have one representative on each committee. There is an important reason for this arrangement. To protect the sovereignty of the member-states it was agreed at the Peace Conference, and written into the League Covenant (Article 5, Paragraph 1) that barring specified exceptions "decisions at any meeting of the Assembly or of the council shall require the agreement of all the members of the League represented at the meeting."

By having each committee open to every member-state, difficulties under the unanimity rule are much less likely to arise on the floor of the Assembly. This means, of course, that proceedings in committee are more important, though less spectacular, than those on the floor of the Assembly. It also means that to be adequately represented at an Assembly session a national delegation should consist of not

less than seven members—one expert for each committee and a coördinating chief delegate.

### League Delegates

As a matter of fact, the more active League members usually send delegations of from twenty to forty to the Assembly. A country can, however, get along with three delegates\* as not more than three of the committees sit simultaneously, and most of the Latin-American countries do not send more than this number. No matter how many in its delegation, each country, whether Liberia or Japan, possesses only one vote both in committee and on the Assembly floor. The fact that the British self-governing dominions, and India, have separate delegations, is of course of little practical significance when every measure must be passed by unanimous vote.

The unanimity rule has frequently

the practice in all the committees. Of course, where there is real disagreement in a committee, every effort is made to adopt a uniformly adoptable text. It is noteworthy, however, that concessions made to secure unanimity not infrequently result in a scaling-up, as much as a scaling-down process so far as the effectiveness of the proposed action is concerned. From all this the importance of having the Assembly committees headed by men of trained executive capacity is obvious. The League has no dearth of trained parliamentarians and the record shows that the committee chairmen are generally former premiers or foreign ministers of their respective countries.

### Assembly Resolutions

Under the guidance of the general committee of the Assembly and with some night sessions, its six main committees get through their work at ap-

more directly in the nature of international legislation by approving a draft convention or multilateral treaty which will then go to the various member-states for ratification according to their different constitutional procedures. A resolution of importance adopted by the last Assembly empowered the secretary-general to institute follow-up procedure and ascertain the reasons for delay in ratification when this does not follow within a reasonable time after the signature of the convention. Within certain limits it is hard to deny a quasi-legislative character to a good many of the Assembly resolutions.

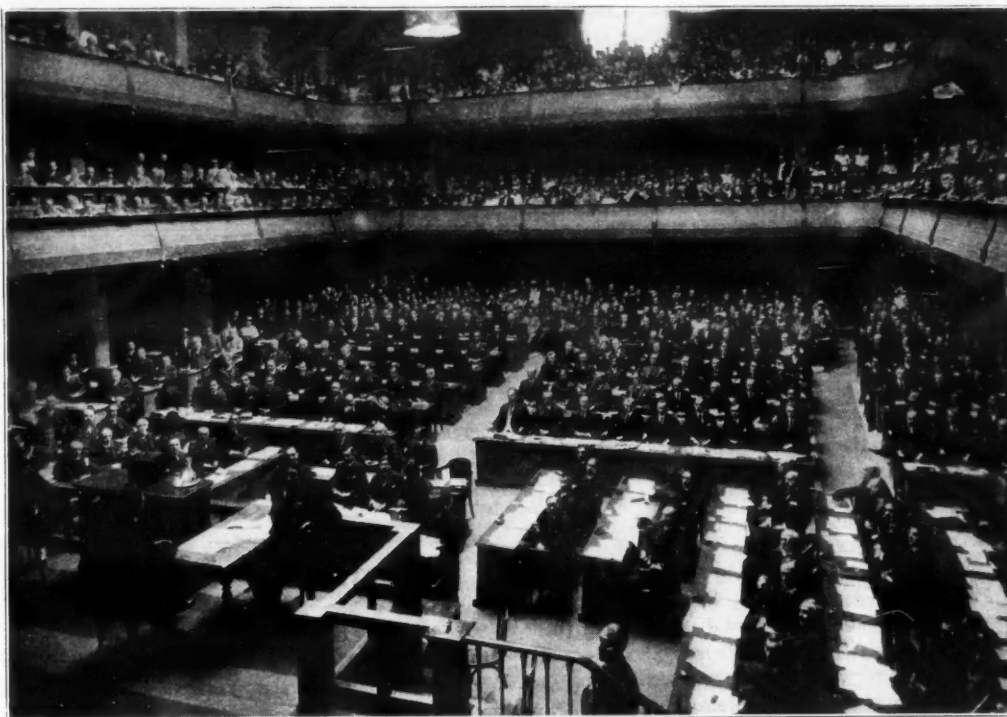
### Other Functions

In addition to its deliberative character the Assembly has also a definite constituent function under which it has power to initiate amendments to the League Covenant. At the present session, for instance, the effort to harmonize the Covenant and Kellogg Pact by making the former explicit in its outlawry of war, is being pressed. The Assembly may admit new members by two-thirds vote, as was done at this session for Mexico.

There is also an important electoral function of the Assembly for the election of the World Court judges in conjunction with the Council, and for the election of the nine non-permanent members of the Council, three of which are chosen for three-year terms each year.

The elections are always held during the last part of the Assembly session, the total duration of which averages between three and four weeks. During this session of the Assembly China, Spain and Panama were the three nations elected to the Council.

FELIX MORLEY



THE ASSEMBLY OF THE LEAGUE OF NATIONS IN SESSION

© W. W. Photos

been cited as evidence that the League Assembly is without legislative power, no matter how many parliamentary characteristics it may have acquired as a regularly recurring international conference. The argument is not disposed of by pointing out that a simple majority rule is not universal in legislative bodies; that in our Senate, for instance, treaty ratifications must secure a two-thirds majority, that a presidential veto necessitates the same majority in both Houses for repassage, and that a Supreme Court decision can void legislation passed by no matter what majority in Congress. A more forceful refutation of the argument is that the effect of the unanimity rule in the Assembly is being steadily whittled away as time goes on.

### Trained Parliamentarians

The most important factor in modification has been the necessity of preventing a block to the adoption of the League budget by recalcitrance on the part of a single power. Primarily to prevent this difficulty the Fourth Committee agreed to adopt resolutions by majority vote, and this has now become

proximately the same time, usually at the beginning of the third week of the session. In the case of the Twelfth Assembly, therefore, the drafting of resolutions is being completed on the date this issue of THE AMERICAN OBSERVER is published. The Assembly is then reconvened in plenary session, continuing to meet in this way for another week or so, to act on the reports and resolutions as submitted from its committees. As these texts have already been very carefully scrutinized and worked over in committees, their acceptance by the whole Assembly is in most cases a formality. Sometimes the leading delegate of a nation will make a slashing attack on a resolution on the grounds of its weak or compromise character, and will then abstain from voting, which in no way hinders its adoption under the unanimity rule. But cases in which the Assembly passes a resolution over an unfavorable committee report are, for obvious reasons, unknown.

The Assembly resolutions are of varying character. They may give purely formal sanction to the development of work by the technical organizations of the League which has already been initiated by previous assemblies. They may call upon the Council, at its subsequent sessions, to initiate through the League Secretariat new technical or humanitarian activities. They may be

### AN INSURANCE PLAN

Gerard Swope, president of the General Electric Company, in an address to the National Association of Manufacturers, outlined a plan for the elimination of unemployment and other risks of the worker. It was presented as a plan which will not only take care of the workers but which will render the conditions of industry more stable.

Mr. Swope suggested that the law shall require the formation of a trade association in every industry. All firms within the industry would be obliged to join. This trade association, or coöperative organization, would create a fund to which contributions would be made by the employers and the workers. This fund is to provide for unemployment insurance, disability benefits and life insurance.

It is to be noticed that this plan does not provide for any contribution by the national government or by the state governments. The government, however, compels the formation of the association and it supervises its operations.

The General Electric Company has already put a plan of unemployment insurance into operation for its own business. The president of the company is now undertaking to make some insurance program compulsory throughout the country.

\* The provision of the Covenant (Article 3, Paragraph 4) that each member "may have not more than three representatives" at meetings of the Assembly is, in fact, a dead letter. Its form is preserved by naming three members of a delegation "representatives" and the remainder, substitutes, alternates, deputies, experts, etc.



## Increase Seen In City Marketing

### Need for Distributing Centers Grows As Cities Get Larger

The city commission of Newark, New Jersey, recently passed an ordinance appropriating \$180,000 for the erection of a municipal market. This brings to public attention the increasing importance of such distributing centers in the United States. Cities throughout the country have participated in the erection of municipal markets to facilitate easier merchandising of farm products. Such great cities as New York, Cleveland, Pittsburgh, Indianapolis, Milwaukee, and New Orleans have entered this field on an ambitious scale, while it was in Chicago that the largest market of its kind in the world was completed last year. A picture of that market is reproduced on this page, indicating the tremendous size of the project.

Such municipal ventures are made in an effort to solve the serious problems of transportation and marketing that have arisen in recent years. At one time it was possible for the farmer to dispose of his products by simply bringing them directly to the consumer in some near-by city. But that is no longer possible except in the smaller municipalities of the country. Cities have grown to such an extent that the business of distribution has fallen into the hands of men who make that work their sole occupation. They act as brokers between the farmers and the city-dwellers. The machinery that has been built to take care of this work has often been costly because distribution centers have not always been constructed in the most strategic places. The result has been a good deal of unnecessary and wasteful transportation that has been reflected in a higher cost of living. That is often the reason why there is such a great discrepancy between what the farmer gets for his eggs and what the housewife pays for them at the grocer's.

It is to relieve such a condition that municipal markets are being built. These are often great modern structures equipped with refrigerators, and situated near railway sidings. As one commentator in this field has written:

When it is remembered that owing to traffic

conditions the cost of transporting a pound of butter a few blocks in the city is greater than the cost of shipping it four hundred miles by rail, the significance of such market facilities becomes apparent.

### THE RAILROAD PROBLEM

The newspapers of the country have been so busy detailing the evils that have befallen agriculture, mining, the oil industry and manufacturing, that the plight of the railroads has been largely overlooked. Although the railroads form one of the bases of our industrial life, the rapid growth of the automobile has done much to deprive it of a heavy proportion of its passengers. Moreover, trucks, canals and ships are competing with the railroads, and have succeeded in taking away much of their freight business. Add to this the effects of a general business slump and it is not difficult to see why the railroads are complaining. It is their claim that although the Interstate Commerce Commission has fixed 5¾ per cent as a "fair return" on their investment, they have not made this "fair return" during the past decade, and have in fact declined to a point where their earnings for the first four months of the current year are 2.07 per cent.

It is for this reason that the railroads have approached the Interstate Commerce Commission for permission to increase their rates. They estimate that a 15 per cent increase will ease their difficulties considerably, although it will net them less than 4 per cent in earnings as contrasted with the 5¾ per cent which was approved by the commission. Furthermore, the railroads claim, it will permit them to rehire men whom they have found it necessary to place on furloughs under present conditions. Thus, they conclude, the public will profit through improved service, business will improve through the increased work which they supply the unemployed, and the railroads will be able to continue operations on a less precarious basis than at present.

While the railroads feel justified in proposing an increase of 15 per cent, there are a large number of organizations, representing farmers, manufacturers, and live stock shippers, which feel that such an increase is not advisable at the present time. They say that the railroads would do well to effect needed economies before thinking of raising rates. Thus, they decry the

luxurious passenger trains which are run "as a purely competitive matter and at a great loss." The American Sugar Cane League indignantly points to "expensive, ornate, and palatial station" and says further:

To make the impoverished farmers of the United States pay higher rates in order that such ornamental burdens may be carried is obviously wrong.

Should such an increase be adopted there is the possibility that the railroads will lose still more of their business to other carriers as was openly threatened by California Walnut Growers' Association:

An increase in rates would not accomplish the result desired—that is, more revenue for the carriers—but would have the reverse effect by driving all business from the rail carriers to their competitors, the truck and steamship.

The decision of the Interstate Commerce Commission with respect to the petition asking for an increase in railway rates will be handed down in October.

### AN OPTIMISTIC NOTE

Commenting last March on President Hoover's trip to Porto Rico and the Virgin Islands, the *New York World-Telegram* said:

Conditions are not good in Porto Rico. The fundamental problems . . . cannot be solved overnight. But the government administration is more efficient, and public opinion more sympathetic than perhaps at any time since the American flag was raised over that beautiful island. For this, equal credit is due President Hoover and Governor Theodore Roosevelt.

In view of that statement, therefore, it is interesting to note the import of the annual report of Colonel Theodore Roosevelt, the governor of Porto Rico, which was made public a short time ago. This revealed three major achievements. For the first time in 17 years, the Porto Rican government has been able to balance its budget. More than that, it actually has a surplus. Secondly, despite the world-wide depression, its balance of trade, which in the past has been against it, is now in favor of the island, having increased 36 per cent over last year. And last, due to the efforts of the health centers and the Department of Health, the death rate has fallen to the lowest point in the history of the island.

This is not all, however. The report shows that the prices of the staple food



A "CATHEDRAL OF TRANSPORTATION" © Galloway

View of the Grand Central Station in New York. It has been charged that the railway companies have been needlessly extravagant in the construction of palatial stations.

articles—such as, milk, meat and bread—upon which the poor depend, have all noticeably been reduced. In the meantime, there has been a wide-spread distribution of land to small farmers and a decrease in tenant farming largely through the work of a government homestead commission. Under Roosevelt's stimulation, also, the rural schools have prospered greatly.

### AGAINST BILLBOARDS

Billboards have long been considered an eyesore in the United States. The foreign visitor to these shores is always surprised and not infrequently disgusted to find a gaudy sign advertising "Smith's Shoes for the Family" or "Kleeno Toothpaste for the Kiddies" in close proximity to some beautiful bit of landscape. The American side of the Niagara Falls was notorious for years because of the crowded advertising displays that obstructed the view and made of this beautiful object of nature another ramification of our commercialism.

A number of organizations have developed in recent years with the avowed purpose of combating the further disfiguring of the American countryside. Among these is the National Council for Protection of Roadside Beauty which has concentrated its most recent activities in the state of Massachusetts. The fight it has waged in that state has brought the entire subject before the Supreme Court of Massachusetts. The report issued by Frank H. Steward who was commissioned through the court to secure the evidence upon which a decision would be based said in part:

There is a widespread dislike for signs, billboards, and other outdoor advertising devices not only in this Commonwealth but throughout the country. The chief grounds for this dislike are that they are unsightly in appearance, and offend the sense of sight in the same manner as other objectionable things offend the senses of hearing and smelling; that they disfigure or mar landscapes; that they intrude commercialism into, and injuriously affect, places of residence, natural beauty and historic interest; and that they create traffic hazards. It appeared in evidence that in every state of the Union there is some statute, ordinance or other form of regulation dealing directly or indirectly with outdoor advertising.



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